



Perata calls for investigation of LAWP

State Senator Don Perata is calling on the governor to investigate what he called "price gouging" by a taxpayer-supported agency in Los Angeles.

"It's one thing to have some Texas guy ripping you off, but it's another thing to have a public agency in your own state," Perata said "... they ought to give the money back."

The Oakland Democrat cited reports that put the Los Angeles Department of Water and Power's profits from sales to the state during the past seven weeks at \$400 million during a period when the state's electricity bill has moved past \$2 billion.

"I think it's perfectly legal," Perata said. "I think it's immoral."

But Frank Salas, chief of staff for the Los Angeles agency, said his department is selling electricity at a reasonable 15 percent profit. He said recent sales to the state have been in the range of \$300 to \$350 per megawatt-hour and that the \$400 million profit figure is grossly inflated.

"We would welcome an investigation," Salas said. "If there is an investigation, we would be shown to be a good neighbor to the state and not a price gouger."

Perata said that if Davis does not investigate the state's purchases from the Southern California agency, he will file a formal request under the public records law to force disclosure regarding the purchases.

Meanwhile, the head of the Los Angeles water and power agency, who has been tapped by Davis to lead the state's efforts to obtain long-term electricity contracts, said that even though the state is spending about \$55 million a day to keep the lights on, state coffers can be refilled without raising consumer rates.

"There is no basis for any rate (increase) ... maybe ever," said S. David Freeman, director of the Los Angeles water agency.

Pacific Gas & Electric Co. contends that under a formula set up by lawmakers, the utility is entitled to collect its costs for buying power before reimbursing the state. According to the utility's calculations, that would mean it would keep all of the money paid to it by customers even though the state today is buying up to one-third of the electricity used each day.

"They are whistling Dixie," Freeman said. "The law is very clear it is not their money."

Rate increase necessary for conservation?

California's scramble to insulate consumers from the soaring price of electricity may add to the state's power problems this summer, Wall Street analysts said Tuesday.

"In the long run you need to send the right price signals to consumers, which will create its own conservation signals. Unfortunately, customers were shielded from that in California," said Michael Worms, an industry analyst.

Davis said Monday that the state's first contracts to buy electricity for two financially struggling utilities will provide only about two-thirds of the power needed on a typical summer day, forcing Californians to cut power use at least 10 percent to avoid blackouts.

Several wholesale and retail rate proposals are circulating. Among them:

Free-market advocates such as Worms want an immediate end to the deregulation-imposed retail rate freeze on Edison and PG&E that will expire next year.

Davis wants a Western price cap of \$100 per megawatt hour on power generators he says have been profiteering from California's short energy supply. The Bush Administration and Federal Energy Regulatory Commission are cool to that idea.

In December, FERC imposed a "soft cap" of \$150 per megawatt hour on wholesale rates in the state and required suppliers to justify charging higher prices.

Consumer groups such as The Utility Reform Network (TURN) want regulated rates for residential and small business customers, but free-market rates for large industrial customers which sought deregulation in the first place.

TURN also advocates a tiered rate structure, with higher rates for consumers who use more than a reasonable amount of electricity each month.

Assembly Republicans say electricity and natural gas prices will fall naturally if the state increases supply, mainly by making it easier to build plants and pipelines.

Salmon runs may be jeopardized by hydro power

As dam operators drain reservoirs to satiate California's gargantuan energy appetite, environmentalists are sounding the alarm that hard-won protections for fish and wildlife will suffer in all three West Coast states.

The latest reason for concern is a decision by the State Water Resources Control Board, which voted to reduce its own recommendations for flows down the Yuba River, a

tributary of the Sacramento River that flows out of the northern Sierra Nevada.

The plan will allow the Yuba's two hydropower plants to produce greater amounts of electricity than otherwise would have been possible. But some say Thursday's decision could sacrifice the river's premier salmon run.

Hydropower is viewed as the one of the few sturdy supports in the shaky edifice that is California's electrical system -- a means for delivering power based on a proven, safe technology and a renewable natural resource.

In recent years, water from hydropower projects has been used increasingly to restore wetlands and salmon fisheries -- only proper, say environmentalists, given the widespread destruction wreaked on salmon spawning grounds and wild canyonlands by modern dams.

In January, Gov. Gray Davis responded to the state's energy crisis by issuing an executive order that, among other things, directed the water resources board to disregard "thermal limits" in operating power plants.

That was bad news for the Yuba's fish, since it meant cold water releases earmarked for salmon could be reduced to conserve water for power generation.

The board complied with Davis' order last week, adopting an interim five- year plan for the Yuba that specified dry-year flows that were lower than its original recommendations. The decision will produce an extra 45,000 megawatt hours of electricity.

After a five-year interim period, the board will institute higher long- term flows. But that has done little to mollify conservationists, who say that a few dry years could devastate the Yuba's sensitive salmon runs.

"The board is a quasi-judicial body that reaches decisions through an evidentiary process," said Bill Kier, a Sausalito fisheries consultant. "So the idea that the governor can take it on himself to overrule their decisions is traumatic."

Kier said, "I'm worried that we're going to wake up on the other side of this so-called crisis and find that everything we've accomplished in terms of clean air, clean water, fisheries and wildlife has been sacrificed."

Roger Salazar, a spokesman for Davis, said the governor was compelled to issue the order because of the likelihood of rolling blackouts.

SMUD wants out of rolling PG&E blackouts

Sacramento's municipal utility and others say they shouldn't be forced to turn off the power when blackouts are ordered in Northern California.

The Sacramento Municipal Utility District is supposed to black out homes and businesses when ordered to do so by the keepers of the state's power grid.

That order from the Independent System Operator is relayed to Pacific Gas and Electric. PG&E then gives the order to SMUD and other municipalities.

SMUD officials say they don't want to be affected by blackouts caused by PG&E's or Southern California's Edison's financial problems.

The Northern California Power Agency, a joint-powers authority that owns power plants for municipal utilities, has begun informal negotiations to change PG&E's blackout rules, said agency head George Fraser.

One consulting firm has predicted 20 hours of rolling blackouts during July and August and about 200 hours of intense conservation calls.

What Others Say

Davis' energy 'solution'

Gov. Gray Davis said recently that he approaches his job as governor the same way he plays his favorite game: one shot at a time. "In golf, they teach you to hit one shot -- and you don't think about anything but that shot," Davis said.

"And then you go to the next shot, and hit that shot." Unfortunately, California's electricity crisis more closely resembles chess than golf. If you don't think four or five moves ahead, you are very likely to be checkmated. And that's just where Davis appears to be taking us -- and California's economy -- with his decision to lock the state into expensive, long-term energy contracts of 10 years and more. --*Dan Weintraub in the Sacramento Bee*

One Fair Deal, More to Go

There is some good energy news in Gov. Gray Davis' announcement that the state has agreed to buy about 8,900 megawatts of electric power over the next 10 years. That will provide one-fifth of the power the state needs each day, so this action should bring some badly needed stability to California's wild energy market. --*LA Times*

Electric vehicles: Buy them or else

Only in California, perhaps, would the government insist on mandates for electric vehicle purchases at a time when electricity rates are skyrocketing and rolling blackouts looming. -- *Orange County Register*

The power crisis ahead

First, the good news on energy. It's snowed enough to fill power- producing reservoirs to healthy levels. The state has wangled contracts to wean California off the costly spot market in buying electricity. And the public is buying into conservation, cutting usage by 8 percent.

The biggest test will be this summer. Stage 3 blackouts have subsided, thanks to conservation and more supply. An unusually a hot summer could, however, revive the crisis atmosphere. Gov. Davis has achieved temporary stability, but he needs to construct a long-range plan despite the political pain it may require. --*SF Chronicle*

Davis shaky assumptions

Davis' wager is still on the table, but the assumptions that underlie it are looking increasingly shaky these days. The governor has already spent around \$2 billion of public money buying hugely expensive wholesale power, taking over the role formerly played by the state's near-bankrupt electric utilities. And California will probably be obliged to spend billions more before its electricity market stabilizes and those utilities are restored to some semblance of financial health. --*Wall St. Journal*